



finance charges that should have been capitalized on qualifying assets. Consequently, finance charges were overstated by R3 361 811 (2010: R3 675 832) and assets purchased on these loans understated by the same amount.			
17. COMMITMENTS Commitments of R25 273 275 (2010: R11 622 072) were disclosed in note 39 to the financial statements. The municipality incorrectly disclosed expenses incurred on projects during the year as commitment resulting in the understatement of commitment in the financial statements by an estimated amount of R114 730 592 (2010: R91 012 237). The completeness and valuation of commitments could not be confirmed as no contract management system was in place for the identification and recognition of contracts.	The technical department will develop a contract register where it will be easy for auditors to determine the outstanding projects that are already financed and the municipality must still implement them.	TM DTM PMU	30 June 2012
18. ACCUMULATED SURPLUS I was unable to perform satisfactorily audit procedures to obtain reasonable assurance on R1 290 611 (2010: R14 113 431) as the filing system did not function effectively, resulting in sufficient audit evidence for debit transactions amounting to R55 687 724 and credit transactions amounting to R833 728 101 for the restated balances not being provided	The finance registry will ensure that sufficient appropriate supporting documentation is available for audit.	Filing clerk Data capturer	Ongoing



for audit purposes. The municipality's records did not permit the application of alternative procedures as a result I could not determine the impact in the financial statements.			
19. STATEMENT OF CHANGES IN NET ASSETS Due to the impact of the limitation of scope on the accumulated surplus for the current and prior year, I could not obtain reasonable assurance on the rights and obligations, existence, valuation and al location of the statement of changes in net assets.	The accumulated surplus includes a take on balance that does not have supporting documentation and the amount will be taken to council for write off so that it does not form part of AFS for 2012.	DCFO CFO	31 May 2012
20. PRIOR PERIOD ERRORS AND CHANGES IN ACCOUNTING POLICY Prior period errors have been corrected during the current and prior year for which appropriate information have not been disclosed in the annual financial statements: <ul style="list-style-type: none"> The nature of the prior period errors , the amounts of the corrections for the affected financial statement line items and the amounts of the corrections at the beginning of the earliest prior period presented, were not disclosed as required by SA Standards of GRAP 3, accounting 	The finance department management will ensure that GRAP 3 is appropriately complied to when prior period errors and changes in accounting policy are corrected by submitting	DCFO CFO	15 August 2012



<p>policies, changes in accounting estimates and errors, paragraph 49.</p> <ul style="list-style-type: none"> The nature of the changes in accounting policies, descriptions of the transitional provisions, the amounts of the adjustments for each financial statement line item affected and the amounts of the adjustments for each financial statement line item affected and the amounts of the adjustments relating to periods before those presented were not adequately disclosed in the financial statements, as required by SA standards of GRAP 3, accounting policies, changes in accounting estimates and errors, paragraph 28 	<p>the AFS to audit committee for review before submission for audit</p>		
<p>21. RELATED PARTY</p> <p>International Public Sector Accounting Standard, IPSAS 20, Related-party disclosures requires disclosure of the remuneration of key management personnel and the number of individuals. I was unable to perform satisfactory audit procedures to obtain reasonable assurance on the completeness of the disclosure note as required information was not presented for audit.</p>	<p>Information relating to key management such as spouses and business interests will be compiled in one document so that it is readily available for auditors.</p>	<p>ACAM Senior Personnel Officer</p>	<p>30 June 2012</p>
<p>22. IRREGULAR EXPENDITURE</p>			



Irregular expenditure of Rnil (2010: R762 012) was disclosed in note 37.03 to the financial statements. The lawyer's fee expenditure as disclosed and condoned in the prior year did not meet the definition of irregular expenditure resulting in the overstatement of irregular expenditure disclosure note in the financial statements.	This will form part of correction of errors for 2012 AFS.	DCFO CFO	31 August 2012
The municipality operated without an approved delegation of authority. Consequently expenditure approved by person other than the accounting officer was deemed irregular expenditure as envisaged by section 79 of the MFMA. The amount of irregular expenditure incurred could not be quantified.	A delegation of authority will be submitted to next council for approval.	MM	31 March 2012
The municipality did not disclose as comparatives irregular expenditure of R12 098 913 incurred in the prior years. The above irregular expenditures were not condoned nor a disclosure made as to the omission made by the municipality. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness pertaining to irregular expenditure disclosed in note 37.03 to the financial statements.	This will form part of correction of errors for 2012 AFS.	DCFO CFO	31 August 2012
Payments of R10 063 051 (2010: R1 846 186) were made in contravention of the supply chain management (SCM) regulations	This will form part of correction of errors for 2012 AFS.	DCFO CFO	31 August 2012



and a further overspending of R1 236 640 on a tender was identified. The amount was not included in irregular expenditure, disclosed in note 37.03 to the financial statements, resulting in irregular expenditure being understated by R11 299 691.			
Payments of R42 335 971 were made in contravention of the SCM regulations as no declarations were made by the directors on joint ventures entered and the directors owned other companies contracted to the municipality. The amount was not included in irregular expenditure, disclosed in note 37.03 to the financial statements.	This will form part of correction of errors for 2012 AFS.	DCFO CFO	31 August 2012
Payments of R1 423 789 were made in contravention of the SCM regulations as no quotations and orders were obtained by the municipality. The amount was not included in irregular expenditure, disclosed in note 37.03 to the financial statements.	This will form part of correction of errors for 2012 AFS.	DCFO CFO	31 August 2012
Service level agreements and/or bidding documents supporting the procurement of goods and services to the value of R9 397 191 could not be provided for audit purposes.	Currently service level agreements are scanned into the IMIS system and tender documents are filled at Corporate Strong room. A senior official must monitor on a monthly basis if all SLA for	Senior registry Senior Admin Officer ACAM	Monthly starting January 2012



	that particular month are scanned and that tender documents are filled appropriately at the Strong room.		
23.UNAUTHORISED EXPENDITURE The municipality did not disclose as comparatives, unauthorized expenditure of R2 125 748 incurred in the prior years. The above unauthorized expenditure was not condoned nor a disclosure made as to the omission made by the municipality.			
EMPHASIS OF MATTERS			
24. UNAUTHORISED EXPENDITURE As disclosed in note 37.01 to the financial statements, unauthorized expenditure of R60 294 709 was incurred as a result of exceeding the total budgeted amount due to depreciation with GRAP not included in the budget.	Ensure that at adjustment budget the depreciation expenditure for 30 June 2012 is properly budgeted for.	Accountant assets and information management DCFO CFO	29 February 2012
25. RESTATEMENT OF CORRESPONDING FIGURES As disclosed in note 32 to the financial statements, the corresponding figures for 30 June 2010 have been restated as a result of errors discovered during 30 June 2011 in the financial statements of the municipality at, and for the year ended, 30 June 2010.			



REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS			
<p>26. PRESENTATION OF INFORMATION</p> <p>Performance against predetermined objectives was not reported using the National Treasury guidelines</p> <ul style="list-style-type: none"> Measures taken to improve performance were not provided in the performance report, as required in terms of section 46(1)© of the Municipal Systems Act of South Africa . In total 100% of the reported targets where improvement is required was not explained. Corroborating evidence provided as a basis for the measures taken to improve performance between the planned and the actual reported targets did not agree in all instances with the measures taken to improve performance reported. 	<p>The municipality will ensure that the performance report is presented according to section 46 of MSA.</p> <p>The Municipality will ensure that corroborative evidence provided agree with the measures taken to improve performance reported.</p>	<p>IDP Officer ACAM MM</p> <p>All HOD's MM</p>	<p>31 August 2012</p> <p>31 August 2012</p>
<p>27. USEFULNESS OF INFORMATION</p> <p>Consistency: The reported objectives, indicators and targets are not consistent with the approved integrated development plan.</p> <ul style="list-style-type: none"> Planned objectives included in the integrated development plan were not consistent with the service delivery and budget 	<p>The Municipality will ensure that planned objectives included in the IDP is consistent with</p>	<p>All HOD's MM</p>	<p>30 June 2012</p>



<p>implementation plan. In total 58% of all planned objectives specified in the service delivery and budget implementation plan for the year under review were not included in the integrated development plan submitted for audit purposes.</p> <ul style="list-style-type: none"> Planned objectives included in the annual performance report were not consistent with the IDP. In total 45% of all planned objectives specified in the annual performance plan for the year under review were not included in the IDP submitted for audit purposes. Planned development objectives that were changed but not approved and adequately explained in the annual performance report. In total 100% of all planned objectives specified in the annual performance report that were changed were not approved or adequately explained. 	<p>SDBIP by only implementing project in the IDP and must be aligned to the SDBIP and Budget.</p> <p>Ensure that the performance report for 2012 is aligned with the reviewed IDP for 2012 by reconciling the two documents before submission to Auditor General.</p> <p>Submit any changes requiring approval to council before including in the performance report.</p>	<p>All HOD's MM</p> <p>All HOD's MM</p>	<p>31 August 2012</p> <p>30 June 2012</p>
<p>28. RELIABILITY OF INFORMATION</p> <p>The target as per the IDP did not relate directly in 100% of instances to the institution's strategic goals and objectives as per the five year IDP.</p>	<p>Review the performance information and ensure that it is reliable and relevant to the municipality's strategic</p>	<p>All HOD's MM</p>	<p>30 June 2012</p>



	goals and objective as per the five year IDP.		
COMPLIANCE WITH LAWS AND REGULATIONS			
29. STRATEGIC PLANNING AND PERFORMANCE MANAGEMENT			
<p>The municipality did not give notice within 14 days of adoption of the IDP to the public, contrary to the requirements of section 25(4)(a)(b) of the MSA.</p> <p>The council did not, within the prescribed period after the start of its elected term, adopt a single, inclusive and strategic plan for the development of the municipality as required by section 25 of the MSA.</p> <p>The accounting officer of the municipality did not by 25 January assess the performance of the municipality during the first half of the financial year, taking into account the service delivery targets and performance indicators set in the service delivery and budget implementation plan as required by section 72(1)(a)(ii) of the MFMA.</p>	<p>The municipality will ensure that a notice is given to the public within 14 days for the adoption of 2012-13 IDP financial year.</p> <p>The municipality will ensure that Section 72 report for 2011-12 is assessed by the Municipal Manager by 25 January 2012.</p>	<p>IDP Officer Communications Officer</p> <p>IDP Officer All HOD's MM</p>	<p>15 June 2012</p> <p>25 January 2012</p>



The accounting officer did not submit the results of the assessment on the performance of the municipality during the first half of the financial year to the mayor of the municipality, the national Treasury, and the provincial treasury as required by section 72(1)(b) of the MFMA.	The results of the assessment on the performance of the municipality during the first half of the financial year will be submitted to the mayor, the National treasury and the provincial treasury by 25 January 2012.	Secretary Finance Dept IDP Officer	25 January 2012
30. BUDGETS The municipality's service delivery and budget implementation plan was not approved by the mayor within 28 days after approval of the budget and no satisfactory explanation could be provided by management as to the non approval of the above, contrary to the requirements of section 53(1)(ii) of the MFMA.	The Municipality will ensure that SDBIP's are approved by the Mayor within 28 days after approval of the budget for the 2012-13 financial year.	IDP Officer All HOD's MM	27 June 2012
31. ANNUAL FINANCIAL STATEMENTS The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors were not adequately corrected, which resulted in the financial statements receiving a disclaimer audit opinion.	The Finance Department will ensure that all material misstatements identified on AFS 2011-12 by the auditors are adequately corrected before finalization of the audit.	DCFO CFO	30 November 2012



<p>32. PROCUREMENT AND CONTRACT MANAGEMENT</p> <p>The municipality did not disclose all material losses, irregular or fruitless and wasteful expenditure incurred during the year under review, contrary to the requirements of section 125(2)(d) of the MFMA.</p> <p>The municipality operated without an approved delegation of authority, thus expenditure approved by a person other than the accounting officer was deemed irregular expenditure, contrary to the requirements of section 79 of the MFMA.</p> <p>Goods and services with a transaction value of between R2 000 and R10 000 were procured without obtaining written and verbal quotations contrary to the requirements of the SCM regulation 12(1)(b) and 16(a).</p> <p>Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written quotations from at least three accredited suppliers, contrary to the requirements of the SCM regulation 12(1)©</p> <p>Goods and services procured through a competitive bids process for award above</p>	<p>The finance department will disclose all material losses , irregular or fruitless and wasteful expenditure on the AFS for 2011-12</p> <p>An item for approval of delegation of authority will be submitted to Council for approval.</p> <p>The Municipality will review the Supply Chain policy to be in accordance with the requirement of the SCM regulations</p>	<p>DCFO CFO</p> <p>ALL HOD's MM</p> <p>Procurement Officer DCFO CFO</p>	<p>31 August 2012</p> <p>31 March 2012</p> <p>31 March 2012</p>
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<p>R10 million were advertised for a period shorter than 30 days in a local news paper, contrary to the requirements of the SCM regulation 22(1)(b).</p> <p>The performance of contractors was not monitored on a monthly basis, contrary to the requirements of section 116(2)(b) of the MFMA.</p>	<p>Each department will be responsible for monitoring its service providers and compile a monthly report to be submitted to the Municipal Manager and form part of SCM reports submitted to Council.</p>	<p>ALL HOD's MM</p>	<p>Monthly starting end of February 2012.</p>
<p>The contracts were amended or extended without approval by a delegated official and no supporting evidence exists as to the extension of the contracts contrary to the requirements of the SCM regulation 5.</p>	<p>HOD's must obtain approval from the MM if there is any amendments to be made to contracts</p>	<p>ALL HOD's MM</p>	<p>As and when required</p>
<p>33. HUMAN RESOURCE MANAGEMENT</p>			
<p>The municipal manager did not provide a copy of the code of conduct to every staff member of the municipality as no evidence exists that such was acknowledged by the staff members of the municipality, contrary to the requirements of section 70(1) of the MSA.</p>	<p>Copies of code of conduct will be circulated to all staff members by Corporate Department and they will be required to sign for them as acknowledgement of receipt.</p>	<p>Senior Personnel Officer ACAM</p>	<p>29 February 2012</p>



34. EXPENDITURE MANAGEMENT			
<p>The accounting officer did not take reasonable steps in ensuring that unauthorized, irregular, fruitless and wasteful expenditure was prevented. No register was developed to identify and report on unauthorized, irregular, fruitless and wasteful expenditure and no indication existed that the mayor, MEC of local government and the auditor-general were informed, in writing, of any fruitless and wasteful expenditure incurred, contrary to requirements of section 32 of the MFMA.</p>	Currently the Acting municipal manager reviews each and every expenditure before payment is made in order to prevent unauthorized, irregular, fruitless and wasteful expenditure.	Senior Expenditure clerk Accountant expenditure Deputy CFO CFO MM	Daily
	Before payment is made finance officials will ensure that no indications of irregular, fruitless and wasteful exists from inception to authorization.	Accountant expenditure Senior Expenditure clerk Accountant	Daily
	Develop fruitless and wasteful expenditure register.	Expenditure	29 February 2012
	In the event were unauthorised, irregular, fruitless and wasteful expenditure could not have been avoided it will	Senior Expenditure clerk	Monthly starting February 2012



	be recorded in the register and reported to relevant authorities.	Accountant Expenditure	
The municipality did not pay all its invoices within 30 days of receipt of such invoice resulting in fruitless and wasteful expenditure incurred as a result of interest and penalties charged by the suppliers, contrary to requirements of section 65(2)(e) of the MFMA. The accounting officer did not take reasonable steps to prevent fruitless and wasteful expenditure as required by section 62(1)(d) of the MFMA.	The Finance department will ensure that all invoices are paid within 30 days by following up on orders and enquiring if goods were delivered and then phoning service providers for invoices.	Senior Expenditure clerk Accountant expenditure	Daily starting from February 2012
Sufficient appropriate audit evidence could not be obtained that payments were approved by the accounting officer or a properly authorized official as required by section 11(1) of the MFMA.	HOD's for all sections should prepare authorization limits for their deputies and supervisors to be approved at Council.	All HOD's MM	29 February 2012
Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers as per the requirements of SCM regulations 19(a) and 36(1).	Deviation forms are attached to goods and services made without three quotations as a result of being an emergency of sole provider but still a motivation from the HOD	All HOD's MM	As and when required



<p>Sufficient appropriate audit evidence could not be obtained that goods and services of a transaction value above R200 000 were procured by means of inviting competitive bids as per the requirements of SC regulations 19(a) and 36(1).</p>	<p>is required.</p>		
<p>Sufficient appropriate audit evidence could not be obtained that bid specifications for procurement of goods and services through competitive bids were drafted in an unbiased manner that allowed all potential suppliers to offer their goods or services as per the requirements of SCM regulation 27(2)(a).</p>	<p>Currently all adverts are kept at Corporate. The Procurement Officer will also file all tender adverts from July 2011 to prepare for auditors.</p>	<p>Procurement Officer</p> <p>Switchboard Operator</p>	<p>29 February 2012</p>
<p>Invitations for competitive bidding were not always advertised for a required minimum period of days as per the requirements of SCM regulations 22(1) and (2).</p>	<p>The Municipal manager has appointed a bid specification committee that started in the 2011-12 financial year and they are responsible for specifications and advertising bids.</p>	<p>Specifications committee</p> <p>Municipal Manager</p>	<p>As and when required</p>
<p>Awards were made to suppliers who did not submit a declaration on their employment by the state or their</p>	<p>The Municipality will review the Supply Chain policy to be in accordance with the requirement of the SCM regulations</p>	<p>Procurement Officer</p> <p>DCFO</p> <p>CFO</p>	<p>31 March 2012</p>



relationship to a person employed by the state as per the requirements of SCM regulation 13©.			
35. CONDITIONAL GRANTS			
The municipality did not maintain a management, accounting and information system which recognizes revenue when it is earned, accounts for debtors, accounts for receipts of revenue, maintains a system of internal control in respect of debtors and revenue as outstanding grants were not followed up, contrary to requirements of sections 64(2)(e)(f) and (g) of the MFMA.	The budgets Officer has started with the process of comparing money transferred by National Treasury with the payment schedule and contact them if there are any differences.	Budget Officer DCFO CFO	Monthly
36. REVENUE MANAGEMENT			
The municipality did not comply with the provision of section 64(2)(a) of the MFMA and section 96(a) of the MSA as there was no effective revenue collection system in place to ensure that the municipality collected all money that was due and payable to it. Interests and penalties were not charged on outstanding debtors.	A list of outstanding debtors will be reviewed on a monthly basis to determine if interest was charged for overdue accounts and penalties for late payments.	Senior clerks collections Chief Property rates	Monthly starting end of February 2012.
The municipality did not maintain a management, accounting and information system which recognizes revenue when it is earned, accounts for debtors, accounts for receipts of revenue, maintains a system of	Management has decided on an occupancy audit strategy for Mothibistadt Hostel where officials were identified to	Driver – Mr Segoje Senior Admin Officer Sundry Debtors	29 February 2012



<p>internal control in respect of debtors and revenue as the reconciliation between the prepaid electricity system and the accounting system was not maintained, rental agreements were not maintained and receipts were not reconciled for completeness, contrary to requirements of sections 64(2)(e)(f) and (g) of the MFMA.</p> <p>The municipal council did not annually review the rates policy, contrary to requirements of section 5(1) of the Municipal Property Rates Act, 2004 (Act No.6 of 2004).</p>	<p>complete forms on information about the tenant so that Corporate can prepare a contract to be submitted to finance department for capturing on the financial system.</p>		
<p>37. ASSET MANAGEMENT</p> <p>The accounting officer did not take all reasonable steps in ensuring that the municipality had and maintained a management, accounting and information system that accounted for assets as the asset register did not meet all the requirements of the reporting standards, and assets of a capital nature were expensed as repairs and maintenance, contrary to requirements of sections 63(2)(a) and (c) of the MFMA.</p>	<p>The Finance Department will ensure that the asset register meet all the requirements of the reporting standards as per Section 63(2)(a) and (c) of the MFMA by not expensing capital assets as repairs and maintenance.</p>	<p>Accountant assets and information technology DCFO CFO</p>	<p>30 June 2012</p>
<p>INTERNAL CONTROL</p>			
<p>38. LEADERSHIP</p> <p>The accounting officer did not exercise oversight responsibility regarding financial and performance reporting and</p>	<p>The Municipal manager should start reviewing quarterly performance of</p>	<p>All HOD's MM Mayor</p>	<p>31 March 2012 30 June 2012</p>



<p>compliance and related internal controls. The leadership did not ensure that there were processes to ensure reviews were implemented before submission of information as material errors were detected in the financial statements and non-compliance with laws and regulations and internal control deficiencies were noted throughout the audit process.</p> <p>The leadership of the municipality did not set the correct tone at the top. Senior management did not adhere to internal controls, which resulted in unauthorized and irregular expenditure not detected by management and non-compliance with relevant laws and regulations.</p> <p>The lack of decisive action to mitigate emerging risks, implement timely corrective measures and address non-performance was evidenced by the failure of management to adequately address the external audit findings in a timely manner. The municipality failed to properly analyse the control weaknesses and implement appropriate follow-up actions that adequately addressed the root cause. This resulted in the audit findings in the prior year report being recurring in the current year.</p>	<p>HOD's against the SDBIP and the Mayor will start reviewing the quarterly performance of the MM against the SDBIP.</p>		
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<p>39. FINANCIAL AND PERFORMANCE MANAGEMENT</p> <p>The accounting officer did not prepare regular, accurate and complete financial statements that were supported and evidenced by reliable information and did not review and monitor compliance with laws and regulations.</p> <p>Finance staff did not fully interpret the requirements of the accounting frameworks. This contributed towards numerous qualifications in the financial statements of the municipality. Consultants were appointed to assist with the compilation of financial statements.</p> <p>Inadequate filing procedures at the municipality have resulted in limitations of scope during the current and previous year's audits. As a result significant difficulties were experienced in respect of the availability of information.</p> <p>The financial statements were not properly reviewed for completeness and accuracy prior to submission for auditing. This resulted in many findings relating to incorrect disclosure.</p> <p>Effective performance systems, processes and procedures as well as the</p>	<p>The Municipal Manager will review the financial statements together with the audit file before it is submitted for audit.</p> <p>Senior Finance Officials will be send to GRAP training annually in order to be aware of any changes before drafting of financial statements.</p> <p>Proper filing systems at all departments.</p>	<p>CFO MM</p> <p>Accountants Procurement Officer DCFO CFO</p> <p>All HOD'S</p>	<p>31 August 2012</p> <p>30 June 2012</p> <p>Daily</p>
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management thereof had not been adequately implemented. Documentation supporting amounts disclosed was not available.			
<p>40. GOVERNANCE</p> <p>The municipality did not implement appropriate risk management activities to ensure that regular risk assessments, including consideration of information technology risks and fraud prevention, were conducted and that a risk strategy to address the risks was developed and monitored.</p> <p>The municipality utilizes the shared audit committee with John Taolo Gaetsewe District Municipality. The shared service audit committee did not ensure that there was an adequately resourced and functioning internal audit unit that identifies internal control deficiencies not identified for corrective measures. The audit committee has therefore not fulfilled its mandate and functions as outlined in the MFMA.</p> <p>The municipality utilizes the shared internal audit unit with John Taolo Gaetsewe District Municipality. The internal audit function did not institute a risk based audit approach and the risk assessment</p>	<p>All risk owners will provide actions to mitigate risks on a quarterly basis at Management Meeting and report to the Risk Manager at John Taolo Gaetsewe District Municipality who will then review and advise accordingly.</p>	<p>HOD's Deputies MM</p>	<p>31 March 2012 30 June 2012</p>



conducted did not highlight and address risks pertaining to the municipality. Performance information was not audited during the year as required resulting in material deficiencies identified during the audit.			
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REPORT OF THE AUDITOR-GENERAL TO THE NORTHERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE GA-SEGONYANA MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the Ga-Sekonyana Local Municipality, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages ... to ...

Accounting Officer's Responsibility for the Financial Statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010 as amended)(DoRA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR-GENERAL'S RESPONSIBILITY

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the international Standards on Auditing and *General notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Because of the matters described in the Basis for disclaimer of opinion paragraphs, I was unable to obtain sufficient appropriate audit to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

Cash and cash equivalent

4. Cash and cash equivalents of R2 327 233 (2010: R3 812 811) were disclosed in note 20 to the financial statements. The municipality could not provide supporting evidence for transactions of R1 666 409 recorded in the cash book. Furthermore, the bank reconciliation statement consist of reconciling items of R697 316 (2010: R1 877 278) debit and R264 530 credit that were not supported by documentary evidence. Consequently, I was unable to confirm the valuation and completeness of cash equivalents. The municipality's records did not permit the application of alternative procedures.

Cash flow statements

5. Due to the impact of the unreconciled bank balance also reported in the prior year, I could not obtain reasonable assurance on the valuation and allocation, existence and rights and obligations of the cash flow statement

Inventory

6. A detailed breakdown between classes of inventory as required by GRAP 1, *Presentation of financial statements*, was not disclosed in the note to the financial statements. Furthermore, the inventory count relating to fuel was not adequately performed and value-added tax (VAT) was incorrectly accounted for an inventory. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, existence, rights, valuation and allocation of inventory.
7. Inventory of R6 738 543 (2010: R6 911 292) was disclosed in note 15 to the financial statements. However, the following discrepancies were identified:
 - the municipality did not account and disclose inventory relating to unsold water and electricity at year-end of R880 968 and R2 245 269 respectively. As a result of the above error, inventory was understated by R3 128 237 in note 15 to the financial statements;
 - the difference between the physical stock and the opening balance as per the system was not adjusted, resulting in the overstatement of inventory by R2 718 454 (2010: R2 500 000). The stock count for the year revealed differences of R1 955 340. The amounts were not assessed and disclosed as losses in the financial statements and the inventory was not adjusted; and
 - a 12% handling fee of R840 965 to internal departments. Revenue and the corresponding inventory expenditure were misstated with the same amount as the intercompany transactions were not eliminated in the financial statements.

Property, plant and equipment

8. Property, plant and equipment of R951 776 737 (2010: R960 954 373) were disclosed in note 10 to the financial statements. However, the following discrepancies were identified:
 - SA Standards of GRAP 17, *Property, plant and equipment* requires that subsequent to initial recognition at cost, an item of property, plant and equipment should be carried at cost less accumulated depreciation and accumulated impairment losses. The asset management policy of the municipality states that assets less than R5 000 should be fully depreciated at the year they are purchased. As indicated in the asset register, assets costing less than R5000 were not fully depreciated during the year they were brought into use. Had these assets been fully depreciated, the surplus for the period would have decreased by the same amount. I was unable to determine the effect on the corresponding figures;
 - the municipality did not update the asset register with the latest valuation roll conducted before year end. As a result, land in the asset register was overstated by R23 638 913 and the financial statements by the same amount. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the rights and valuation pertaining to property plant and equipment disclosed in note 10 to the financial statements;
 - the municipality did not review the residual values and useful lives on items of property, plant and equipment at each reporting date in accordance with SA Standards of GRAP 17, *Property, plant and equipment*. The records did not permit the application of adequate alternative auditing procedures regarding this property, plant and equipment. Consequently I could not determine the impact on the carrying values of property, plant and equipment as disclosed in the statement of financial position; and

- the amount disclosed in the trial balance of R940 079 057 was less than the financial statements of R951 776 737 resulting in a difference of R11 697 678.
9. As reported in the prior year sufficient appropriate audit evidence could not be obtained for journals and additions. Consequently, I was unable to perform satisfactorily audit procedures to obtain reasonable audit assurance on the classification and allocation, completeness, existence, rights and obligations pertaining to property, land and equipment.

Trade receivables from exchange transactions

10. Trade receivables from exchange transactions of R8 601 654 (2010: R8 657 702) were disclosed in note 16 to the financial statements. The following discrepancies were noted:
- included in this account balance were receivables with credit balances of R1 617 200. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance as to the existence, valuation and rights and obligation to the receivables of R1 617 200 as supporting evidence for the above could not be provided;
 - included in this account balance were long overdue receivables of R10 732 272. Payments were not received from these debtors and no write off or follow up has been made by the municipality. Furthermore, debtors of R18 586 909 were more than 90 days overdue and no disconnection was made to enforce payment and ensure recoverability of debt due to the municipality.

Consequently, I was unable obtain sufficient appropriate audit evidence to satisfy myself as to the existence, valuation and allocation of debtors.

11. As reported in the prior year sufficient appropriate audit evidence could not be obtained for trade debtors, credit balances included in the debtors, employee costs paid in advance, deposits, and VAT. Consequently, I was unable to perform satisfactorily audit procedures to obtain reasonable audit assurance on the completeness, rights and obligations, existence and valuation pertaining to trade receivables from exchange transactions.

Trade receivables from non-exchange transactions

12. Other receivables from non-exchange transactions of R5 541 646 (2010: R7 157 686) were disclosed in note 17 to the financial statements. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance as to the valuation and allocation, existence, rights and obligation to the receivables of R3 112 994 (2010: R7 157 686).

Debt impaired

13. Paragraph 58 of the South African Statement of Generally Accepted Practice (SA Statements of GAAP), IAS 39 (AC 133), *Financial instruments: Recognition and measurement* (IAS 39) requires the municipality to assess at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. The municipality, however, made a general provision for doubtful bad debts for receivables from exchange and non-exchange transactions amounting to R15 141 754 (2010: R12 981 594), which was not in accordance with the impairment requirements of IAS 39. As the relevant information was not available I was not able to calculate what the impairment charge against receivables from exchange and non-exchange transactions and bad debts expense should have been if IAS 39 had been applied correctly.

Trade and other payables

14. Trade and other payables of R3 625 503 (2010: R3 245 105) were disclosed in note 7 to the financial statements. The municipality could not provide sufficient appropriate audit evidence to support R847 522 debit and R1 118 040 (2010: R1 007 389) credit balances included in note 7 as deposits received. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that all transactions were properly recorded. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, valuation and allocation and obligation of accounts payable of R1 965 562 (2010: R1 007 389).
15. The municipality did not accrue for invoices in respect of goods and services received of at least R1 988 849 (2010: R5 827 076). Had these invoices been accrued for, the effect would have been to reduce the surplus for the period and the accumulated surpluses by R1 988 849 (2010: R5 827 076) and to increase the payables in the statement of financial position by an equal amount.

Value-added tax (VAT)

16. VAT receivable from non-exchanged transactions of R4 067 905 (2010: R154 959) was disclosed in note 9 to the financial statements. The following discrepancies were identified:
- the municipality did not adequately perform VAT reconciliation during the year under review;
 - a difference of R2 086 965 was identified between the vat receivable as disclosed in the financial statements, reconciliation and the confirmation received from SARS;
 - instances were identified where input VAT was incorrectly processed in the accounting system; and
 - disclosed under VAT receivable from non-exchanged transaction was R1 565 037 relating to journals passed to correct VAT on inventory purchased in the prior year. Supporting evidence could not be obtained for the journals.
- Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the occurrence, accuracy, valuation and allocation of VAT receivable from non-exchanged transaction.

Unspent conditional grants

17. Unspent conditional grants and receipts of R3 099 333 (2010: R5 640 030) were disclosed in note 8 to the financial statements. The above note was understated by R7 311 487 as the amount disclosed differed from the amount confirmed by the transferring institution. Current liabilities were understated by the same amount in the statement of financial position.
18. As reported in the prior year I could not establish if all transactions took place according to the conditions of each grant and whether the expenditure against the grant had been disclosed in the statement of financial performance. The portion that needed to be capitalized to property, plant and equipment or transferred to operating expenditure could also not be confirmed. Furthermore, a difference of R2 529 361 was identified between the DoRA and the amounts per the bank statements. Consequently, I was unable to perform satisfactorily audit procedures to obtain reasonable audit assurance on the valuation and allocation, existence, rights and obligations pertaining to unspent conditional grants.

Provisions

19. Provision has not been made for the environmental rehabilitation costs of restoring the municipality's landfill sites. A provision should be made for the present obligation incurred as a consequence of its past use of the landfill sites in accordance with SA Standards of GRAP 19, *Provisions, contingent liabilities and contingent assets*. The records did not permit the application of adequate alternative auditing procedures regarding this provision. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, valuation and allocation of provisions.
20. Provision has not been made for the employee bonuses for the current and prior year. A provision should be made for the present obligation incurred in accordance with SA Standards of GRAP 19, *Provisions, contingent liabilities and contingent assets*. The records did not permit the application of adequate alternative auditing procedures regarding this provision. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, valuation and allocation of provisions. Reliable estimates could not be made with regards to bonus provision.

Expenditure

21. Expenditure of R207 115 180 (2010: R160 460 537) was disclosed in the statement of financial performance. The following discrepancies were identified:
- The amount disclosed in the general ledger of R53 317 635 for different classes of expenditure did not agree to the financial statements of R86 954 795 resulting in a difference of R33 637 160. I could not be provided with sufficient supporting documentation to reconcile this difference.
 - Sufficient appropriate audit evidence could not be obtained for general expenses, bulk purchases, operating grant expenses and repairs and maintenance of R12 495 700 and journals of R1 408 013. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that all goods and services were properly recorded.
- Consequently, I was unable obtain sufficient appropriate audit evidence to satisfy myself as to be occurrence, completeness, accuracy, cut-off and classification of expenditure.
22. As reported in the prior year sufficient appropriate audit evidence could not be obtained for general expenditure, repairs and maintenance, and journals. Numerous accounting entry errors were noted in depreciation, amortization and debt impairment. Consequently, I was unable to perform satisfactorily audit procedures to obtain reasonable audit assurance on the accuracy, occurrence and classification pertaining to expenditure.

Revenue from exchanged transactions

23. There was no system of control over pre-paid electricity revenue on which I could rely for the purpose of my audit, and there were no satisfactory audit procedures that I could perform to obtain reasonable assurance that all pre-paid electricity revenue was properly recorded. The municipality did not perform reconciliation between the pre-paid electricity system and the accounting system used for the preparation of the financial statements. Consequently, I was unable to obtain sufficient audit evidence to satisfy myself as to the completeness of pre-paid electricity revenue of R46 352 832 (2010: R41 230 350).
24. The municipality did not change interest and penalties on outstanding debtors as a requirement by the debtor's policy. The SA Standards of GAAP< IAS 18 (AC 111)

Revenue requires that revenue be recognized in the period in which it was earned. Had interest on overdue account being charged, revenue and not profit would have been increased and receivables in the statement of financial position would have been increases by R1 575 634 (2010: R1 308 865).

25. As reported in the prior year sufficient appropriate audit evidence could not be obtained for service charges, journals, interest and penalties received on arrear accounts, government grants, and subsidies, licences and permits, and rental of facilities. Consequently, I was unable to perform satisfactory audit procedures to obtain reasonable audit assurance on the completeness, accuracy, occurrence, classification and cut-off pertaining to revenue.

Revenue from non-exchange transactions

26. Revenue from non-exchanged transactions of R124 451 442 (2010: R76 676 316) was disclosed in the statement of financial performance. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that all transactions were properly recorded. Sufficient appropriate audit evidence could not be obtained for fines of R1 344 567 and licences and permits of R1 507 403. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the occurrence, completeness, accuracy, cut-off and classification of revenue amounting to R2 651 970.

Distribution losses

27. Section 125(2)(d)(i) of the MFMA states that the notes to the annual financial statements of a municipality must disclose particulars of any material losses. The municipality did not disclose in the note to the financial statements distribution losses with regard to electricity and water due to the municipality not implementing adequate control measures to reliably calculate these losses. I was unable to determine the total extent of the understatement in distribution losses as sufficient appropriate documents could not be obtained.

Finance charges

28. Finance charges of R4 102 974 (2010: R4 292 557) were disclosed in note 28 to the financial statements. Disclosed in this note was R3 361 811 (2010: R3 675 832) relating to long term liabilities. The municipality did not account for the finance charges as required by SA Standards of GRAP 5, *borrowing costs*. The municipality incorrectly expensed the finance charges that should have been capitalized on qualifying assets. Consequently, finance charges were overstated by R3 361 811 (2010: R3 675 832) and assets purchased on these loans understated by the same amount.

Commitments

29. Commitments of R25 273 275 (2010: R11 622 072) were disclosed in note 39 to the financial statements. The municipality incorrectly disclosed expenses incurred on projects during the year as commitment resulting in the understatement of commitment in the financial statements by an estimated amount of R114 730 592 (2010: R91 012 237). The completeness and valuation of commitments could not be confirmed as no contract management system was in place for the identification and recognition of contracts.

Accumulated surplus

30. I was unable to perform satisfactorily audit procedures to obtain reasonable assurance on R1 290 611 disclosed in the trial balance as taken on balances emanating from prior years. Sufficient evidence could not be obtained as to the above balance included in the accumulated surplus account at R1 290 611 (2010: R14 113 431) as the filling system did not function effectively, resulting in sufficient audit evidence for debit transactions amounting

to R55 687 724 and credit transactions amounting to R833 728 101 for the restated balances not being provided for audit purposes. The municipality's records did not permit the application of alternative procedures as a result I could not determine the impact in the financial statements.

Statement of changes in net assets

31. Due to the impact of the limitation of scope on the accumulated surplus for the current and prior year, I could not obtain reasonable assurance on the rights and obligations, existence, valuation and allocation of the statement of changes in net assets.

Prior period errors and changes in accounting policy

32. Prior period errors have been corrected during the current and prior year for which appropriate information have not been disclosed in the financial statements:
- The nature of the prior period errors, the amounts of the corrections for the affected financial statement line items and the amounts of the corrections at the beginning of the earliest prior period presented, were not disclosed as required by SA Standards of GRAP 3, *accounting policies, changes in accounting estimates and errors*, paragraph 49.
 - The nature of the changes in accounting policies, descriptions of the transitional provisions, the amounts of the adjustments for each financial statement line item affected and the amounts of the adjustments relating to periods before those presented were not adequately disclosed in the financial statements, as required by SA Standards of GRAP 3, *accounting policies, changes in accounting estimates and errors*, paragraph 28.

Related party

33. International Public Sector Accounting Standard, IPSAS 20, *Related-party disclosures* requires disclosure of the remuneration of key management personnel and the number of individuals. I was unable to perform satisfactory audit procedures to obtain reasonable assurance on the completeness of the disclosure note as required information was not presented for audit.

Irregular expenditure

34. Irregular expenditure of Rnil (2010: R762 012) was disclosed in note 37.03 to the financial statements. The lawyer's fee expenditure as disclosed and condoned in the prior year did not meet the definition of irregular expenditure resulting in the overstatement of irregular expenditure disclosure note in the financial statements.
35. The municipality operated without an approved delegation of authority. Consequently expenditure approved by person other than the accounting officer was deemed irregular expenditure as envisaged by section 79 of the MFMA. The amount of irregular expenditure incurred could not be quantified.
36. The municipality did not disclose as comparatives, irregular expenditure of R12 098 013 incurred in the prior years. The above irregular expenditures were not condoned nor a disclosure made as to the omission made by the municipality. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness pertaining to irregular expenditure disclosed in note 37.13 to the financial statements.
37. Payments of R10 063 051 (2010: R1 846 186) were made in contravention of the supply chain management (SCM) regulations and a further overspending of R1 236 640 on a tender was identified. The amount was not included in irregular expenditure, disclosed in

note 37.03 to the financial statements, resulting in irregular expenditure being understated by R11 299 691. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness pertaining to irregular expenditure disclosed in note 37.03 to the financial statements.

38. Payments of R42 335 971 were made in contravention of the SCM regulations as no declarations were made by the directors on joint ventures entered and the directors owned other companies contracted to the municipality. The amount was not included in irregular expenditure, disclosed in note 37.03 to the financial statements. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness pertaining to irregular expenditure disclosed in note 37.03 to the financial statements.
39. Payments of R1 423 789 were made in contravention of the SCM regulations as no quotations and orders were obtained by the municipality. The amount was not included in irregular expenditure, disclosed in note 37.03 to the financial statements. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness pertaining to irregular expenditure disclosed in note 37.03 to the financial statements.
40. Service level agreements and/or bidding documents supporting the procurement of goods and services to the value of R9 397 191 could not be provided for audit purposes. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness pertaining to irregular expenditure disclosed in note 37.03 to the financial statements.

Unauthorised expenditure

41. The municipality did not disclose as comparatives, unauthorized expenditure of R2 125 748 incurred in the prior years. The above unauthorized expenditure was not condoned nor a disclosure made as to the omission made by the municipality. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness pertaining to unauthorized expenditure disclosed in note 37.03 to the financial statements.

Disclaimer of opinion

42. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

Emphasis of matters

43. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Unauthorised expenditure

44. As disclosed in note 37.03 to the financial statements, unauthorised expenditure of R60 294 709 was incurred as a result of exceeding the total budgeted amount due to depreciation calculation with GRAP not included in the budget.

Restatement of corresponding figures

45. As disclosed in note 32 to the financial statements, the corresponding figures for 30 June 2010 have been restated as a result of errors discovered during 30 June 2011 in the financial statements of the municipality at, and for the year ended, 30 June 2010.

Additional matter

I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

46. The supplementary information set out on pages xxx to xxx does not form part of the financial statements and is presented as additional information. In have not audited these schedules and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

47. In accordance with the PAA and in terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report set out on pages ... to ... and material non-compliance with laws and regulations applicable to Ga-Segonyana Municipality.

Predetermined objectives

Presentation of information

48. The following criteria are relevant to the findings below:

- Performance against predetermined objectives was not reported using the National Treasury guidelines.

49. Audit findings:

- Measures taken to improve performance were not provided in the performance report, as required in terms of section 46(1)© of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000)(MSA). In total 100% of the reported targets where improvement is required was not explained.
- Corroborating evidence provided as a basis for the measures taken to improve performance between the planned and the actual reported targets did not agree in all instances with the measures taken to improve performance reported.

Usefulness of information

50. The following criteria are relevant to the findings below:

- Consistency: The reported objectives, indicators and targets are not consistent with the approved integrated development plan.

51. Audit findings:

- Planned objectives included in the integrated development plan were not consistent with the service delivery and budget implementation plan. In total 58% of all planned objectives specified in the service delivery and budget implementation plan for the year under review were not included in the integrated development plan submitted for audit purposes.
- Planned objectives included in the annual performance report were not consistent with the integrated development plan. In total 45% of all planned objectives specified in the

annual performance plan for the year under review were not included in the integrated development plan submitted for audit purposes.

- Planned development objectives that were changed but not approved and adequately explained in the annual performance report. In total 100% of all planned objectives specified in the annual performance report that were changed were not approved or adequately explained.

Reliability of information

52. The following criteria are relevant to the findings below:

- Validity: The reported performance did not occur and does not pertain to the entity.
- Accuracy: The amounts, numbers and other data relating to reported actual performance have not been recorded and reported appropriately.
- Completeness: All actual results and events that should have been recorded have not been included in the reported performance information.

53. Audit findings:

- The target as per the integrated development plan did not relate directly in 100% of instances to the institution's strategic goals and objectives as per the five year integrated development plan.

Compliance with laws and regulations

Strategic planning and performance management

54. The municipality did not give notice within 14 days of adoption of the integrated development plan to the public, contrary to the requirements of section 25(4)(a)(b) of the MSA.
55. The council did not, within the prescribed period after the start of its elected term, adopt a single, inclusive and strategic plan for the development of the municipality as required by section 25 of the MSA.
56. The accounting officer of the municipality did not by 25 January assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan as required by section 72(1)(a)(ii) of the MFMA.
57. The accounting officer did not submit the results of the assessment on the performance of the municipality during the first half of the financial year to the mayor of the municipality, the National Treasury, and the provincial treasury as required by section 72(1)(b) of the MFMA.

Budgets

58. The municipality's service delivery and budget implementation plan was not approved by the mayor within 28 days after approval of the budget and no satisfactory explanation could be provided by management as to the non-approval of the above, contrary to the requirements of section 53(1)(ii) of the MFMA.

Annual financial statements

59. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors were not adequately corrected, which resulted in the financial statements receiving a disclaimer audit opinion.

Audit committee

60. The audit committee did not function as required by section 166 of the MFMA, in that:

- the audit committee did not advise the council, the accounting officer and the management staff of the municipality on matters relating to internal financial control and internal audits, accounting policies, performance management, effective governance, compliance with applicable legislation and performance evaluation;
- the audit committee did not review the annual financial statements;
- the audit committee did not respond to the council on any issues raised by the Auditor-General in the audit report; and
- the audit committee did not meet at least four times during the year.

61. The audit committee also did not advise the council of the municipality on the adequacy, reliability and accuracy of financial reporting and information, contrary to the requirements of section 166(2)(a)(iv) of the MFMA.

62. The audit committee did not advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality on matters relating to compliance with the MFMA, DoRA and other applicable legislation, contrary to the requirements of section 166(2)(a)(vii) of the MFMA.

Internal audit

63. The internal audit unit did not function as required by section 165(2) of the MFA, in that:

- the internal audit unit did not prepare a risk-based audit plan and an internal audit programme for the financial year under review; and
- the internal audit unit did not advise the accounting officer and report to the audit committee on matters relating to internal audit, internal controls, accounting procedures and practices, risk and risk management as well as loss control.

64. The internal audit unit also did not report to the audit committee on matters relating to compliance with the MFMA, DoRA and other applicable legislation, contrary to the requirements of section 165(2)(b) of the MFMA.

65. The municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes as required by section 45(1)(a) of the MSA and Municipal Planning and Performance Management Regulation 14.

66. The internal audit processes and procedures did not include assessments of the functionality of the municipality's performance management system and whether the system complied with the requirements of the MSA as required by Municipal Planning and Performance Management Regulation 14.

67. The internal audit processes and procedures did not include assessments of the extent to which the municipality's performance measurements were reliable in measuring the

performance of the municipality on key as well as general performance indicators as required by Municipal Planning and Performance Management Regulation 14.

68. The internal auditors of the municipality did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager and the performance audit committee as required by Municipal Planning and Performance Management Regulation 14.

Procurement and contract management

69. The municipality did not disclose all material losses, irregular or fruitless and wasteful expenditure incurred during the year under review, contrary to the requirements of section 125(2)(d) of the MFMA.
70. The municipality operated without an approved delegation of authority, thus expenditure approved by a person other than the accounting officer was deemed irregular expenditure, contrary to the requirements of section 79 of the MFMA.
71. Goods and services with a transaction value of between R2 000 and R10 000 were procured without obtaining written and verbal quotations, contrary to requirements of the SCM regulations 12(1)(b) and 16(a).
72. Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written quotations from at least three accredited suppliers, contrary to the requirements of the SCM regulation 12(1)©.
73. Goods and services procured through a competitive bids process for awards above R10 million were advertised for a period shorter than 30 days in a local newspaper, contrary to the requirements of the SCM regulation 22(1)(b).
74. The performance of contractors was not monitored on a monthly basis, contrary to the requirements of section 116(2)(b) of the MFMA.
75. The contracts were amended or extended without approval by a delegated official and no supporting evidence exists as to the extension of the contracts, contrary to the requirements of the SCM regulation 5.

Human resource management

76. The municipal manager did not provide a copy of the code of conduct to every staff member of the municipality as no evidence exists that such was acknowledged by the staff members of the municipality, contrary to the requirements of section 70(1) of the MSA.

Expenditure management

77. The accounting officer did not take reasonable steps in ensuring that unauthorized, irregular, fruitless and wasteful expenditure was prevented. No register was developed to identify and report on unauthorized, irregular, fruitless and wasteful expenditure and no indication existed that the mayor, MEC of local government and the auditor-general were informed, in writing, of any fruitless and wasteful expenditure incurred, contrary to requirements of section 32 of the MFMA.
78. The municipality did not pay all its invoices within 30 days of receipt of such invoice resulting in fruitless and wasteful expenditure incurred as a result of interests and penalties charged by the suppliers, contrary to requirements of section 65(2)€ of the MFMA. The accounting officer did not take reasonable steps to prevent fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

79. Sufficient appropriate audit evidence could not be obtained that payments were approved by the accounting officer or a properly authorized official as required by section 11(1) of the MFMA.
80. Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers as per the requirements of SCM regulations 17(a) and (c).
81. Sufficient appropriate audit evidence could not be obtained that goods and services of a transaction value above R200 000 were procured by means of inviting competitive bids as per the requirements of SCM regulations 19(a) and 36(1).
82. Sufficient appropriate audit evidence could not be obtained that bid specifications for procurement of goods and services through competitive bids were drafted in an unbiased manner that allowed all potential suppliers to offer their goods or services as per the requirements of SCM regulation 27(2)(a).
83. Invitation for competitive bidding was not always advertised for a required minimum period of days as per the requirements of SCM regulations 22(1) and 22(2).
84. Awards were made to suppliers who did not submit a declaration on their employment by the state or their relationship to a person employed by the state as per the requirements of SCM regulation 13©.
85. The performance of contractors or providers was not monitored on a monthly basis as required by section 116(2)(b) of the MFMA.
86. The municipality did not implement a SCM policy as required by section 111 of the MFMA.
87. Contracts were extended or modified to the extent that competitive bidding processes were being circumvented contrary to the requirement of a fair SCM system in section 112 of the MFMA.
88. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained an effective system of expenditure control, including procedures for the approval, authorization, withdrawal and payment of funds, as required by section 65(2)(a) of the MFMA.

Conditional grants

89. The municipality did not maintain a management, accounting and information system which recognizes revenue when it is earned, accounts for debtors, accounts for receipts of revenue, maintains a system of internal control in respect of debtors and revenue as outstanding grants were not followed up, contrary to requirements of sections 64(2)(f) and (g) of the MFMA.

Revenue management

90. The municipality did not comply with the provision of section 64(2)(a) of the MFMA and section 96(a) of the MSA as there was no effective revenue collection system in place to ensure that the municipality collected all money that was due and payable to it. Interests and penalties were not charged on outstanding debtors.
91. The municipality did not maintain a management, accounting and information system which recognizes revenue when it is earned, accounts for debtors, accounts for receipts of revenue, maintains a system of internal control in respect of debtors and revenue as the reconciliation between the prepaid electricity system and the accounting system was not maintained, rental agreements were not maintained and receipts were not reconciled for

completeness, contrary to requirements of sections 64(2)(e)(f) and (g) of the MFMA.

92. The municipal council did not annually review the rates policy, contrary to requirements of section 5(1) of the Municipal Property Rates Act, 2004 (Act No. 6 of 2004).

Asset management

93. The accounting officer did not take all reasonable steps in ensuring that the municipality had and maintained a management, accounting and information system that accounted for assets as the asset register did not meet all the requirements of the reporting standards, and assets of a capital nature were expensed as repairs and maintenance, contrary to requirements of sections 63(2)(a) and (c) of the MFMA.

INTERNAL CONTROL

94. In accordance with the PAA and in terms of General notice 111 of 2010, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis for disclaimer of opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

95. The accounting officer did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls. The leadership did not ensure that there were processes to ensure reviews were implemented before submission of information as material errors were detected in the financial statements and non-compliance with laws and regulations and internal control deficiencies were noted throughout the audit process.
96. The leadership of the municipality did not set the correct tone at the top. Senior management did not adhere to internal controls, which resulted in unauthorized and irregular expenditure not detected by management and non-compliance with relevant laws and regulations.
97. The lack of decisive action to mitigate emerging risks, implement timely corrective measures and address non-performance was evidenced by the failure of management to adequately address the external audit findings in a timely manner. The municipality failed to properly analyse the control weaknesses and implement appropriate follow-up actions that adequately addressed the root cause. This resulted in the audit findings in the prior year report being recurring in the current year.

Financial and performance management

98. The accounting officer did not prepare regular, accurate and complete financial statements that were supported and evidenced by reliable information and did not review and monitor compliance with laws and regulations.
99. Finance staff did not fully interpret the requirements of the accounting framework. This contributed towards the numerous qualifications in the financial statements of the municipality. Consultants were appointed to assist with the compilation of financial statements.
100. Inadequate filing procedures at the municipality have resulted in limitations of scope during the current and previous year's audits. As a result significant difficulties were experienced in respect of the availability of information.

101. The financial statements were not properly reviewed for completeness and accuracy prior to submission for auditing. This resulted in many findings relating to incorrect disclosure.
102. Effective performance systems, processes and procedures as well as the management thereof had not been adequately implemented. Documentation supporting amounts disclosed was not available.

Governance

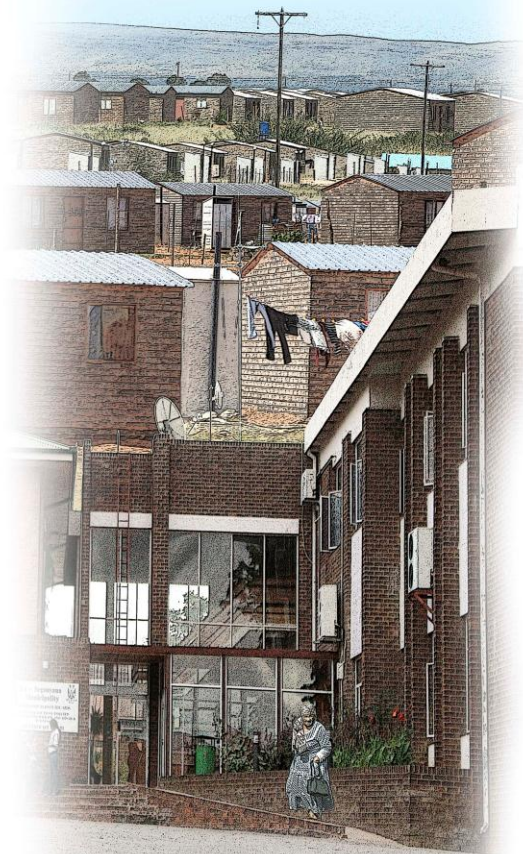
103. The municipality did not implement appropriate risk management activities to ensure that regular risk assessments, including consideration of information technology risks and fraud prevention, were conducted and that a risk strategy to address the risks was developed and monitored.
104. The municipality utilizes the share audit committee with John Taolo Gaetsewe District Municipality. The shared service audit committee did not ensure that there was an adequately resourced and functioning internal audit that identifies internal control deficiencies and recommends corrective action effectively. The annual performance report in place was not reviewed and deficiencies not identified for corrective measures. The audit committee has therefore not fulfilled its mandate and functions as outlined in the MFMA.
105. The municipality utilizes the shared internal audit unit with John Taolo Gaetsewe District Municipality. The internal audit function did not institute a risk based approach and the risk assessment conducted did not highlight and address risks pertaining to the municipality. Performance information was not audited during the year as required resulting in material deficiencies identified during the audit.

OTHER REPORTS

Investigations

106. A court order directed the Office of the Auditor-General to investigate alleged irregularities with regard to procurement and contract management. The investigation has not been completed at the date of this report.
107. An investigation was conducted by an outsourced firm to report on the reconciliation and analysis of prior period un-reconciled inventory. The report has been finalized indicating a loss of over R2 500 000. No actions have been taken by the municipality on the above during the date of this report.

Kimberley
30 November 2011



**Annual Financial
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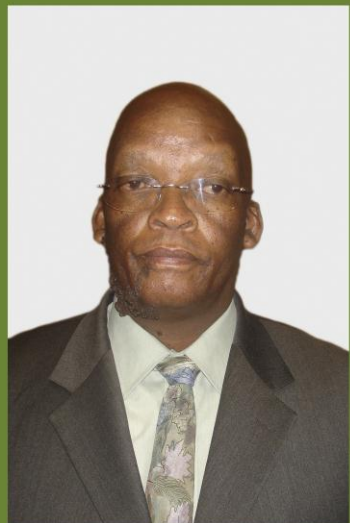
CHAPTER

Functional Areas Service Delivery Performance

5



5.1 Council



Mayor:
Cllr T.G. Anthony



Speaker:
Cllr T.E. Meyers

Mayor	T.G. Anthony	Speaker	T.E. Meyers
Executive Committee	T.G. Anthony - <i>Chairperson</i> F.P. Beyleveld K.A. Kelkabile B.E. Modise	IDP Standing Committee	T.G. Anthony - <i>Chairperson</i> N.S. Bloem T.H. Lekgetho K.R. Mekwati R.R. Molelekwa M.J. Polelo



Finance Standing Committee	K.A. Kelkabile - <i>Chairperson</i> P.Q. Mogatle B.A. Motlatsi N.G. Morogong L.S. Motingwe N.G. Thupaemang	Human Resources Standing Committee	B.E. Modise - <i>Chairperson</i> K. Bless K.B. Madkize B.M. Mosegedi T.T. Tlhokonyane
Community Services Standing Committee	F.P. Beyleveld - <i>Chairperson</i> G.C. Assegaa M.C. Laberegane L.C. Rapeleng S.M. Rayn		

5.1.1 Ward Committees

Figure / Table 29: Ward Committee Members

WARD 1 COMMITTEE MEMBERS	WARD 2 COMMITTEE MEMBERS
Sean Fatheringham	Agnes Moolman (Secretary)
ChistelleTerblanche	Patricia Toli
Gosegomang Moseki	Pricilla Malope
Keabetswe Oliphant (Secretary)	Neslietlatsweng
Thabo Dipone	Kenalemang M Marara
Mpho Barnard	Keobiditse Nels
Iris Maroro	Selinah Lesley
Christoffel Kruger	Mary Free
Engele Jeppe	Tidimalo Nkutlwang
Martha Maakhomtane	Mahore Patric Senatle



WARD 3 COMMITTEE MEMBERS	WARD 4 COMMITTEE MEMBERS
Paseka Tlhapi	Amogelang Molelekwa (Secretary)
Rapelang Visagie	Agnes Metswe
Kenosi Gladys	Ontiretse Molebalwa
Oatlotse Melore	Keatletse Selefo
Letlhogonolo Gollelwang	Margretfeifer
Keolebogile Jantjie	Isaac Klien
Oarabile Moeng (Secretary)	Sapelo Brown
Tebogo Mecwi	Naledi Motsaathebe
Lesangkgang Moagi	Odirile Lekgetho
Kgakololo Mooki	Neo Leboko

WARD 5 COMMITTEE MEMBERS	WARD 6 COMMITTEE MEMBERS
Oarabile Lopang Okgethile	Lopang Debruin (Secretary)
Masego Rejoice Mongwegi	Mamah Sehularo
Segomotso Millicent Matlhole	Tlou Masegela
Banzi Ernest Sebotse	Motlagomang Mamokgele
Goratomang Victoria Hambira	Matlaasione Oepeng
Keabaka Isaah Sesenyi	Bakang Mabutlwane
Filicity Thobeka Mthinthelwa (Secretary)	Nosipho Bosman
Christopher Coolio Meruti	Tshwaro Mmolaemg
Seleke Gaitsiwe	Ohentse Kedithibetse
Velilealregdekies	Kelebogile Adams



WARD 7 COMMITTEE MEMBERS	WARD 6 COMMITTEE MEMBERS
Kabelo Thekisho	M.V. Monnagaaratwe
Kewetse Motlhaleemang	Onkgomoditswe Gabaneelwe
Papolo Olepeng	Keitumetse Itumeleng
Nicker Modukanele	Keitumetse Fonang
Charles Mocumi	Obakeng Koena (Secretary)
Ogomoditswe Thupe	Ruth Makatong
Mathapelo Otumiseng	Mary Thoteng
Kamogelo Mokgabi	Sanah Sepadile
Ntebogng Bosiamang	Tsholofelo Lekula
Mooketsa Kesiamang (Secretary)	Precious Jonathan

WARD 9 COMMITTEE MEMBERS	WARD 10 COMMITTEE MEMBERS
Bohutsana Martse	Mothusi Dichabe (Secretary)
Biopelo Mereyotlhe	Tebogo Lekgetho
Kehusitese Kgosienewang	Dikgakgamatso Mokgosi
David Mothibatsela	Kitsisho Keopilwe
Obenne Simon Johannes	Keletso Jackson
Baleseng Mokgothu	Tshegofatso Maree
Dimakatso Hartebees	Bontle Peter
Mpho Keosentse	Itumeleng Tshetshemeserogwe
Ntombi Leero	Nomthandazo Baleka
Kagiso Sehemmo (Secretary)	Kgomotso Motseohatse

WARD 11 COMMITTEE MEMBERS	WARD 12 COMMITTEE MEMBERS
Tebogo Gabaya	Margaret Matube
Khanene Kenosi	Montsilwane Molatlhegi
Robenson Makoko	Mosimanegape Olepeng
Tuelo Tsinyane (Secretary)	Agnes Gaetsewe (Secretary)
Tebogo Seleke	Keolebogile Petrus



Onkarabile Mocwane	Mmoledi Chiri
Kesebonye Melekwe	Raymond Segami
Aobakwe Morapedi	Lizzy Moruri
Kennetseng Kanjeruba	Kedieme Leserwane
Kereng Kenosi	Nelly Makoke

WARD 13 COMMITTEE MEMBERS
Glen Godi
Joyce Kgatlane
Voilet Coetzee
Barend Albertus Eiman
Adlid S. Nkanbutle (Secretary)
Ivor Ferris
Boipelo Kanjeruba
Samuel Kat
Julia Klien
Martha Greef

5.1.2 Community Participation

The Municipality regards its interaction with the communities in its area as critical to the success of its strategic and policy formulation and execution systems and processes. In this regard, the Council has engaged in various initiatives to ensure active community participation in municipal affairs:

- Quarterly meetings are conducted between Ward / PR Councilors and the community.
- The Municipality is currently engaged in a process of reviving the clustering of PR councilors with wards to intensify responsiveness to community.
- Involvement in community interest groups is also taken place through invitations and pro-active decisions of Council.
- In some wards up to 40 community engagement meetings are conducted annually.
- There are annual IDP and budget community meetings (road shows) (1 per year for all wards) and 2 Imbizo per year.

- Ward committee meetings are conducted by-monthly in all wards and copies of Minutes of all meetings are recorded via the Office of the Speaker. Feedback is supposed to be given through ward committees, although it does not happen like that at present. Core municipal issues are not always discussed at meetings.

Persisting challenges that reduce the efficiency of existing community engagement structures and processes include the following:

- Communities are not satisfied with the manner in which information about municipal affairs are filtered down to them.
- Communities are scattered over the vast area of the Municipality and do not attend meetings well.
- IDP and budget road shows are often used by the community as Imbizos (complaint sessions, rather than information gathering events).
- The Agendas for Council meetings are not properly informed by the needs of the community as expressed during community meetings. Structures need to be streamlined to translate community needs into Council discussion points.
- Ward committee members are not well trained and ward committee meetings are not always well advertised.
- There is an urgent need for communities to be informed about key municipal processes; especially the Budget and IDP.
- The demarcations of wards cause a lot of problems, including large distances and scattered villages).
- The Ga-Segonyana area has been classified as nodal area, but no tangible assistance is forthcoming from national and provincial government.
- There is a huge influx of people from rural, lesser developed areas to the municipal area, which put an additional burden on service delivery.
- Unlawful land invasions – e.g. Mothibistad represents a stumbling block to sustained growth in the municipal area.
- Traditional leaders do not communicate capacity constraints of the municipality.
- There are no internal programmes to meet with the community; imbizo are teamed up with IDP and Budget Road Shows.
- Government Department and other stakeholders do not attend community meetings when invited.
- Lack of mechanisms to address issues identified during community meetings.

A challenge in respect of **ward committees** is that the functionality of some ward committees; especially the non-functionality of the ward committee in ward 1 (Ward 1 inhabitants do not attend meetings well). (Meetings in ward 1 and 2 meetings are integrated).

The Municipality regards the role of Community Development Workers (CDWs) as vitally important to ensure good governance. In this regard, the following arrangements are in place:

- Monthly Reports are sent by CDW Ward Coordinators to the Municipality; which are then integrated and sent to council on a quarterly basis.



- CDW Ward Coordinators responsible for coordinating the activities of CDWs.
- Municipality supports CDWs whenever they request logistical and technical support in performing their activities.
- There is mutual support between Council and CDWs – The Municipality support CDWs with logistics and telephones (maximum R50) to perform their functions. CDWs also have an office in the Municipal building.
- A serious and detrimental shortcoming is the fact that Accountability not strictly defined. CDWs do not report to the Council but to Province.
- The Role of CDWs is not clearly defined.
- The lack of information about the job descriptions of CDWs is a problem for ward councilors.

5.1.3 Members of the Audit Committee

- Mr. Tennyson Baitlhoi (Chairperson)
- Mr. Tony Geldenhuys (Has since resigned)
- Ms. Busi Pule
- Mr. Obed Thenga (Has since resigned)

Five Major Risks on the Municipal Risk Register:

1. Land related issues
2. Lack of skills
3. Loss of information
4. Inadequate funding requirements versus IDP
5. Low staff morale



5.1.3 Fraud and Anti-Corruption Policy

The terms fraud and other fiscal irregularities refer to, but are not limited to:

- Any dishonest or fraudulent act,
- Forgery or alteration of any document, or account belonging to a customer,
- Forgery or alteration of a cheque, bank draft, or any other financial document,
- Misappropriation of funds, securities, supplies, or other assets,
- Impropriety in the handling or reporting of money of financial transactions,
- Accepting or seeking anything of (material) value from vendors or persons providing services/materials to the council (exception: perishable gift less than R100.00 in value intended for a group of employees, such as, (candy, flowers), and which are disclosed.
- Destruction or disappearance of records, furniture, fixtures, or equipment,
- Disclosing to outside persons security arrangement and procedures.
- Irregularities with procurement.

Identification or allegations of personal improprieties or irregularities whether moral, ethical, or behavioral, should be resolved by the Municipal Manager and the Manager Corporate Services. Contact the Chief Legal Advisor, for guidance if you have any question of whether an action constitutes fraud.

The Municipal Manager has the primary responsibility for investigations. If an investigation reveals that fraudulent activities have occurred, the Investigative Team will issue reports to the Municipal Manager and, if appropriate, to the Council through its Audit Committee.

Decisions to prosecute or turn matters over to appropriate law enforcement and/or regulatory agencies for independent investigation will be made by Council in conjunction with legal counsel and Senior Management, as will final decisions on disposition of cases.

The municipal manager will accept relevant information on a confidential basis from an employee who suspects dishonest or fraudulent activity. Employees should contact the municipal manager immediately, and should not attempt personally to conduct investigations or interview/interrogations related to suspected frauds.

The results of investigations conducted by the municipal manager will not be disclosed or discussed with anyone other than those persons associated with the Council who have a legitimate need to know in order to perform their duties and responsibilities. This is important in order to avoid damaging the reputations of persons suspected, but subsequently found innocent of wrongful conduct, and to protect the Council from potential civil liability.

In those instances in which the municipal manager believes it to be in the best interests, members of the Investigation team have the authority and duty, after consulting with the Municipal Manager, to: